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AUTHOR Cameron, David M.
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ABSTRACT

This paper seeks a plan for financing education in Ontario that minimizes the disruptive effects of declining enrollment and changing enrollment patterns, is sensitive to the limitation of resources, and provides clear channels of authority and responsibility between citizen and policy maker. The author considers the alternatives for placing the locus of policy-making authority, the sources of funding, and the question of whether taxing and spending of public funds should be fused or separated. He concludes that a new structure for the governance and financing of education is necessary and favors a plan in which local boards would be replaced by educational councils with specific powers delegated by the province. These councils would not have the power to tax and they would be identified with the operation of specific schools. The author also recommends discarding the grant plan that currently governs financing and suggests that education be funded out of the province's general revenues. (Author/WD)

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WORKING PAPER NO. 11

DECLINING ENROLMENTS AND THE FINANCING OF EDUCATION IN ONTARIO

DAVID M. CAMERON

MAY, 1978

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COMMISSION ON DECLINING SCHOOL ENROLMENTS IN ONTARIO (CODE)

R.W.B. JACKSON
COMMISSIONER

HOWARD B. HENDERSON
EXECUTIVE SECRETARY

252 Bloor Street West
Toronto, Ontario
M5S 1V6

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DECLINING ENROLMENTS AND THE FINANCING OF EDUCATION IN ONTARIO

David M. Cameron

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I INTRODUCTION

Initially, this paper was conceived as dealing with the choices facing Ontario's general legislative grant plan in coming to terms with the fact of declining enrolment. This conception, however, very quickly led to the realization that if only modest adjustments are to be made in the existing grant plan to deal with the most severe fiscal consequences of declining enrolment, these can be made quite easily and can be studied quite thoroughly within the provincial bureaucracy that is already in place. If, on the other hand, more basic changes are contemplated, then we immediately raise the question of the basis upon which change is to be made.

The argument which follows attempts to base a fairly thorough change upon an appreciation of what are considered to be the three primary elements in the present problem of educational government and finance. In effect, this paper seeks to arrive at a structure for the governing and financing of education that meets three tests: it is capable of minimizing the disruptive effects of declining enrolment and changing enrolment patterns, it is sensitive to the constraints within which resources are made available to education, and it provides for clear channels of authority and responsibility as between citizen and policy-maker.

The present structure of education largely fails these tests and we are led ineluctably to consider a variety of alternative choices and finally to advocate a major overhaul of the educational system. The proposals that are made are offered as suggestions; there is in the end no analytical means by which we can arrive at political decisions. Only the bare bones of the suggested alternatives are offered here, and if any merit attaches to pursuing one or more of these suggestions much more work will be required. The further work is only likely to be productive, however, if it is undertaken within the context of some very general and very basic decisions -- decisions about the nature, purpose, and character of Ontario's public school system, and decisions which ought to be made now.

II THE PROBLEM

If viewed superficially, the "problem" of declining enrolment in Ontario's elementary and secondary schools is quite simple. Declining enrolments require adjustments in the delivery of education, in the number and kind of teachers employed, in the size and location of school buildings, in the scope of the educational programme itself and, of course, in the raising and spending of public funds. These adjustments may be arbitrary or imaginative. They may be based on the assumption that when enrolment drops by one child there should be a corresponding reduction in the total cost of education. At the other extreme, they may assume no direct relationship between enrolment and cost. Indeed, declining enrolments may be used as the occasion for effecting supposed qualitative improvements in educational programmes, by holding the number of teachers more or less constant and allowing pupil-teacher ratios to decline, for example.

The world of education, as with other areas of public policy, is not a simple one. Superficial analyses and simplistic solutions are destined to create as many problems as they resolve. In attempting to arrive at reasonable proposals for the most effective way of financing education in a period of declining enrolment, we confront at least three important ingredients of the problem: the pattern of actual and projected enrolment, the constraints of provincial public finance, and most difficult of all, public perceptions of the problem and preferences as to its solution. Each of these ingredients makes its own contribution to an adequate appreciation of the problem, and consequently each warrants specific, if brief, consideration at this time.

Enrolment Patterns

Other studies undertaken for the Commission will deal with the details of actual and projected enrolment patterns, and it is therefore unnecessary to examine these here. Two points do, however, warrant particular emphasis because of their significance for educational finance.

First, the pattern of enrolment change is a very uneven one as between different school boards and different areas of the province. For example, it is projected that the total Public elementary school[1] enrolment will decline

[1] The term "public school" is used in this paper to refer to a school regulated and funded by the state (i.e. as distinct from a private school). The peculiar distinction between "public" and "separate" schools, which is really a distinction between non-denominational and Catholic public schools, will be denoted by capitalizing the "p" in "Public" when referring specifically to non-denominational Public schools.

by some 71,000 pupils or 9 percent between 1976 and 1986.[2] While this global estimate for the entire province gives some indication of the magnitude of the net adjustments required over the next eight years, it masks the much more dramatic changes that will occur in particular areas. The net reduction of 71,000 is in fact made up of a projected reduction of 112,000 pupils in 33 counties, districts, and metropolitan areas, and an increase of 41,000 in 17 other such jurisdictions. The relatively modest overall reduction of 9 percent masks a range of changes which run all the way from an increase of 59 percent in Peel County to a decrease of 38 percent in Ottawa.[3] Undoubtedly the variations would be even more extreme if we were to move down to the level of individual residential communities or existing school attendance areas. The essential point to be emphasized here is that provincial policy respecting educational finance must be sensitive to the actual changes in enrolment and not simply to province-wide averages.

Second, the extent to which enrolment changes (positive or negative) are realistically associated with changes in spending on education is neither simple nor obvious. This could easily be the subject of a paper itself, since the adequacy of any funding scheme will be seriously impaired if the relationship between enrolment change and revenue is perverse. What proportion of costs are fixed and what proportion variable? To what extent do variable costs vary with enrolment per se, and to what extent with units of enrolment (classrooms, instructional programmes, schools, etc.)? To what extent do all of these considerations depend upon the size of the school system in question? These are absolutely critical questions if education is to continue to be financed through anything like the present structure. We shall not pursue such specific questions here, however, precisely because we cannot yet be sure that the current structure is adequate.

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[2] Actual and projected enrolment figures are taken from School Facilities, The Community, and Declining Enrolment. Information Bulletin No. 1, The Commission on Declining School Enrolments in Ontario (CODE), Toronto, February 15, 1978.

[3] For Separate elementary schools the range is from +122% to -40%, and for secondary schools from +46% to -44%.

Provincial Public Finance

Public elementary and secondary education in Ontario has, from its very beginning, involved provincial expenditures. Originally, the fiscal foundation of public schools was provided by tuition fees or "rate bills", supplemented in modest amounts by private subscriptions, provincial and later municipal grants. The long but successful struggle for "free schools" changed this arrangement. By 1871 the rate bill had been replaced by compulsory municipal taxation for elementary schools, and by 1921 the last vestiges of tuition fees had been removed from secondary schools as well. Henceforth, municipal taxation -- levied under the power of requisition enjoyed by school boards -- was to be the primary source of funding for Ontario's public schools. Provincial financial support, although extensive, remained discretionary. School boards have never had a claim upon provincial funding comparable to their power to requisition funds from their local municipalities.

Municipal taxation remained the mainstay of public education until very recently. As Richard Bird's paper notes,[4] municipal property taxes provided 60 percent or more of all elementary and secondary educational expenditures throughout the 1950's. By 1969, however, this proportion had dropped to 51 percent and by 1974 had fallen to only 36 percent. In effect, the 1960's and 1970's have witnessed a complete turnabout in the relative contributions of provincial and municipal taxes to elementary and secondary education. The province is now unquestionably the senior partner in education, in terms of the provision of both resources and the determination of the legislative and administrative framework.

This reversal in the historical provincial-local relationship has quite changed the political economy of education. Two aspects of this change deserve particular comment. First, education at the provincial level is afforded none of the institutional protection characteristic of autonomous school boards with the power to requisition funds at the local level. Quite the contrary, education must compete with all other claims upon the provincial treasury within a budgetary process which permits government-wide priorities in the distribution

[4]Richard M. Bird, Financing Education in Ontario: Issues and Choices. Working Paper No. 2, The Commission on Declining School Enrolments in Ontario (CODE), Toronto, January, 1978, p. 5.

of available funds. Second, the senior role of the provincial government has led to what might be termed the "provincialization" of municipal taxes for education, a trend in which local taxes have come increasingly to be the result of a provincial decision as to the appropriate proportions of the total educational expenditure to be borne at the provincial and municipal levels.

These changes become all the more significant in the face of projected decreases in available provincial resources over the coming ten-year period.[5] The result can only be increasingly stiff competition for diminishing provincial resources, with education exposed as never before to the full force of pressures for restraint.

Public Preferences

Even with the most sophisticated of data pertaining to public attitudes or preferences, the scholar is well advised to exercise caution in pretending to comprehend what the public wants or is prepared to accept in any area of public policy. When such data are lacking, as in the present paper, the better part of valour might well be more than the usual discretion, avoiding any reference at all to the public. However, to do so might equally suggest what is an altogether too common assumption -- that the public really has at best a very limited legitimate role in the formulation of educational policy. No doubt professionals in many areas are tempted from time to time to assign greater value to professional judgments than to public preferences. Such a temptation is perfectly understandable; it is equally totally unacceptable as the foundation of public policy. Educational policy -- including the manner in which education is organized and funded -- is public policy and as such is properly motivated and constrained primarily by public preferences as interpreted by the political process. Professionals ought to support but not determine such policy.

Although there appears to be widespread agreement that the general public has become rather skeptical about the value of schooling, this is not the point which needs to be made in relation to public preferences. The reference

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[5] David K. Foot, Resources and Constraints: Public Education and the Economic Environment in Ontario, 1978-1987. Working Paper No. 1, The Commission on Declining School Enrolments in Ontario (CODE), Toronto, March, 1978, p. 19-21.

to public preferences is meant to underscore the importance of developing educational policy within the constraints of public choice rather than in response to the pressures of an educational "establishment". Because of this, we attach particular importance to the adequacy of the means for exercising political control over educational spending. The more constrained public resources become -- and therefore the more difficult are the choices between competing governmental programmes -- the more surely must the institutional structure surrounding education be open to public (that is, political) control. Consequently, the objective of this paper is not to develop and promote an argument as to the "proper" or "optimum" level of support for education; it is instead to suggest ways in which education might be organized and financed such that the ability of the public to realize its preferences is maximized and the costs of responding to public preferences minimized.

III FROM PROBLEM TO SOLUTION

If the "problem" is complicated by the factors discussed above, it is obvious that the "solution" must confront them as well. An acceptable solution will emerge only from a sensitivity to all three factors. In an earlier day (so very few years ago!), the "problem" of declining enrolment would have been a very different one because public resources were much more elastic and public preferences were much more supportive of educational expenditures. It is no longer acceptable, however, simply to "throw money at the problem" in the style of the 1960's.

The kind of solutions suggested by those who advocate retaining present levels of teaching staff and reducing pupil-teacher ratios as enrolment declines are no longer viable. They are not viable not merely because there is very little evidence that such a step would improve educational quality[6] (many changes have been made with an equal absence of supporting evidence) but primarily because they are too expensive.

It is the presence of all three factors, and the inescapable interrelationships between them, which requires that we consider new approaches not only

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[6] See D.A. Dawson, Economies of Scale and Cost-Quality Relationships in Elementary and Secondary Schools -- A Survey. Working Paper No. 4, The Commission on Declining School Enrolments in Ontario (CODE), Toronto, March, 1978, p. 14-27.

to educational finance but also to the larger questions of organization and governance as well. As Richard Bird noted in an earlier paper prepared for the Commission:

> The increased pressure on the existing financial system is...likely to result not only in changes in how we finance education but also in the education that we finance. The interdependence of fiscal and educational policy choices must be taken explicitly into account if wise decisions are to be made in either arena.[7]

Once we open the issue to this broader perspective we confront some rather basic choices which must precede or underly a satisfactory solution to the problem of educational finance in the face of declining enrolment. Three of these choices seem to be particularly crucial and can be framed in terms of the following sets of questions:

1. How, where, and by whom is educational policy to be determined? The choices here are many, including provincial, school board, and municipal governments, and involving in varying positions of power politicians, bureaucrats, educators, taxpayers, parents, students, etc.

2. Who would pay for education? Should it be those who benefit directly (parents and students) or the entire community? If those who benefit should pay, what role will be played by subsidies and income redistribution? If the general community should be taxed, which community is the appropriate one: provincial, regional, local? What form of taxation is appropriate, general or earmarked?

3. Should the taxing and the spending of public funds be fused or separated? If fused, at what level: province, region, school board, municipality? If separated, by what means should they be related: intergovernmental transfers, payments to individuals, vouchers, etc.?

There can be little doubt that the three sets of choices are very much interrelated. Indeed, the real challenge in posing policy alternatives in a paper such as this is to so construct the options that reasonably consistent answers can be given to the questions posed above. The more these questions are answered in isolation from each other the more is the resultant structure of education likely to be unstable or uncontrolled.

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[7] Richard M. Bird, Financing Education in Ontario. Working Paper No. 2, The Commission on Declining School Enrolments in Ontario (CODE), Toronto, January, 1978, p. 2.

In the final analysis, then, we are considering a total system of education. Breaking that system into its parts allows us to make certain choices more manageable in scope, but we should not ascribe any more reality than that to what remain merely analytical distinctions. We can now return to deal in somewhat greater detail with the three sets of questions posed above, relating these to the three elements of the problem of declining enrolment discussed in section II.

The Locus of Policy-making Authority

Where (and by whom) educational policy is determined has a great deal to do with what that policy will be. Educational policy formulated by the provincial government will almost certainly be different from educational policy formulated by local school boards. In the abstract, there is immense scope for choice as to where policy-making authority is to be located and who is to participate in its formulation. Some of the alternatives are but minor modifications of others, and some will be or will appear to be so unfamiliar to the public as to be unacceptable. In fact, the actual scope for choice is probably not very large.

The key question under this heading is where to place responsibility for adjusting the education system to cope with changing enrolment patterns and an overall enrolment decline. There appear to be essentially four major alternatives, as follows:

1. Provincial: This would involve a further centralization of political control at the provincial level sufficient to enable the provincial government to make the key choices concerning staff redundancy, school closings, etc. Local agencies might remain, but authority and responsibility would rest with the province.
2. Local/Regional: This would be the reverse of the above, in that political control would be decentralized to local or regional governments. Given the history of 100 years of gradual consolidation of school districts, there is little prospect of rediscovering effective political units smaller than existing school districts and municipalities. The effective choice within this option thus appears limited to a strengthening of existing school boards or a consolidation of education with other responsibilities under general-purpose municipal/regional governments.
3. Intergovernmental: This is essentially the status quo, with policy-making authority divided between two levels of government (province and school board).

4. Non-governmental: This represents the political structure corresponding to the various market or quasi-market schemes advanced by numerous scholars, mostly economists. In short, this option would remove much of the responsibility for the formulation of educational policy from the governmental arena, leaving such policy to emerge as a response to market-like demands expressed by "consumers" of education (parents and students). There would be considerable scope as to the role that would remain for government (provincial, local, or both) from one extreme limited to setting the ground rules for the competition of private schools through to the other extreme of a government monopoly on the provision of education within which "consumers" might freely choose their preferred public institution.

While strong arguments can be made on behalf of any of these alternatives, we have to consider two of them sufficiently improbable to warrant being discarded at this time. For several, sometimes related, reasons decentralization and "privatization" must be rejected.

Decentralization -- shifting the full weight of authority and responsibility for educational policy to a local level of government -- would run counter to three powerful forces. If it implied decentralization to school boards, it would entail the rediscovery of a unit of government which has been systematically stripped of its political strength over the past quarter-century. As noted in an earlier study,[8] the forced consolidation of school districts created "governments" with virtually no political community and therefore no constituency. The success of the consolidation movement represented the triumph of efficiency over politics, and bequeathed a network of school boards quite incapable of exercising the most political of all activities: the formulation of authoritative public policy.

Effective decentralization of political authority at this time would require either the dissolution of existing school districts and the return to community-based school boards, the development of political communities corresponding to the jurisdictions of school boards, or the integration of education with other functions within the authority of strengthened general-purpose municipal governments. However desirable any of these may appear to some people, they run so counter to Ontario's political history and traditions as to appear to be outside the realm of real choice. Not only this, but there seems to be considerable public expectation of, and support for, a strong

[8] David M. Cameron, Schools for Ontario. Toronto: University of Toronto Press, 1972.

provincial role in education. This no doubt derives in part from the benefits of provincial involvement in terms of equalization and also from the extent to which it is the province itself which has become the primary political community for many Ontarians.

Finally, decentralization runs counter to the actual and projected patterns of enrolment. Where enrolment changes are so different in different parts of the province, ranging from sharp increases to equally precipitous declines, it is very unlikely that a provincial government, committed to such principles as equalization and equal opportunity, could succeed in attempting to shift the burden of adjusting to these changes wholly or largely to the local or regional level.

"Privatization" -- removing the provision of education from the public sector -- is perhaps most notable simply because it can even be seriously discussed. If it is ever to become an active policy option, however, a range of attitudinal changes will be required of Ontarians which are nowhere in sight at the moment. This is not to say that some competition or differentiation may not be a desirable feature of a public school system, but rather to suggest that the accmumulated layers of public policy cannot simply be swept away and replaced by market forces, however extensive might be the fiscal equalization achieved through negative taxes or educational vouchers. It would represent a radical shift of power to parents and students and as such would set aside a trend extending over a century and a half toward community (that is, political) control of education. Furthermore, since market forces would probably yield more rapid and more extensive adjustments to declining enrolments (that is, teachers would be fired and schools closed more quickly if the resources of a school were derived totally and directly from attendance), the resultant dislocations would likely be of sufficient severity to force the issue back into the political realm.

We are thus left with but two options: maintenance and perhaps modification of the existing intergovernmental involvement in educational policy-making, and centralization such that the provincial government assumed virtually complete responsibility for the provision of public education. We will be in a position to consider the appropriate choice when we have dealt with the two remaining sets of questions.

The Source of Funds

The choice as to who is to pay for education, and by what means, is of course very much related to the question of who is to determine educational policy and through what structures. We have already rejected the non-governmental or private option above, which is to say we have rejected those schemes for the financing of education based upon vouchers or fees. Almost the whole history of education in the nineteenth century is the story of the campaign to establish community control and community funding for public schools. That campaign succeeded; it appears unlikely that it will be challenged successfully nearly a century later. Moreover, it is not at all clear that the benefits held out for the various voucher systems are so great or so obvious as to exceed the costs even of change itself, let alone the costs that would accompany the new order.

The real question is not whether community funding is appropriate to Ontario, but what community or level of community is to be considered the most appropriate. What are the choices here?

First, education could be funded exclusively at the provincial level. There is no question that Ontario has the capacity to elect this option, although it might well entail the levying of a provincial real property tax in order to raise sufficient funds without precipitous increases in rates of sales and income taxes. Given that this option is possible, we shall defer for the moment the question of whether it is desirable.

Second, it is possible to consider the case for funding education wholly at a local or regional level. This cannot, however, be considered a serious or attractive possibility. Politically, local financing would require local taxing authorities, and as noted above, it is not likely that Ontario will dismantle the consolidation of school districts it so recently completed. Local financing is not really feasible from the perspective of public finance either. Relatively few taxes can be levied at a local level, so that this option probably means almost total dependence on the real property tax. That notion can be discarded immediately if for no other reason than that the unequal distribution of property values, augmented by the uneven nature of enrolment changes, would yield such extreme variations in taxing capacity as to require provincial participation at the very least in ensuring some degree of equalization.

Regional taxation is perhaps more plausible than local. It is difficult, however, to identify any advantages over provincial taxation. If regions were communities, regional taxation might be promoted as supportive of regional self government. But since the boundaries of the present units of regional government for education are essentially artificial, that argument is less than convincing. It is sometimes suggested that decentralized taxation is necessary to support decentralized policy making and that the provincial educational system is enriched by the variety and experimentation which can result from decentralization. It is here, however, that we confront the matter of public preferences, for artificial political units (such as the current school districts) provide much more scope for professional than public control, and while there may be variety and experimentation it is less likely to be the result of differing regional needs or expectations than of different professional or bureaucratic structures and personalities. Valuable as the latter may be, it does not seem to be dependent upon regional taxation. Even regional taxation is likely to require provincial support at least in the form of equalization payments. The larger the regions, the less is this likely to be so. But the larger the regions, the less do they offer any clear advantages over a single taxing authority at the level of the province.

From whatever perspective we examine the issue, we are forced to the conclusion that the effective choice is between some form of intergovernmental finance (that is, the involvement of both levels of government) or a shift to wholly provincial funding. This, of course, corresponds to the choice with which we concluded the previous section on the locus of policy-making authority. Again, we shall return to deal with the strengths and weaknesses of these two options following a brief consideration of the implications of the fusion or separation of taxing and spending authority.

Taxation and Spending: Fused or Separated?

The initial question here is whether the authority to levy and collect taxes and the authority to spend public funds on education are to be vested in a single government or separated such that one government spends what another has raised. There can be little question that at least in the abstract most people would come down strongly on the side of fusion. Apart from the greater simplicity of this arrangement, it accords with what must be a deep-seated urge to demand of governments the individual moral responsibility derived from a

puritan heritage and related to enjoying only the fruits of one's own labour. On the other hand, the precept that the government which spends should be disciplined by the necessity of levying taxes is everywhere violated by our complex network of transfers and grants.

Stating essentially the same principle but in reverse order may provide a more realistic guide. The principle then requires that the government which taxes should have the authority to determine how those funds will be spent. Such a principle is wholly compatible with the prevailing value attached to democratic government, providing as it does the potential for a clear line of legitimate authority between the citizen as taxpayer and elector and a government which not only should but can answer for its actions (governments can not be expected to answer for what they can not control). This principle is also wholly compatible with either the consolidation of taxing and spending authority at the provincial or local/regional level, or the participation of both levels. What the principle demands is that taxing and spending authority be fused, not that they be fused within any particular government.

The principle of fusion does, however, strike at the roots of the present system of financing elementary and secondary education in Ontario. Despite the fact that the majority of money comes from provincial taxes, the legal authority for spending that money is disproportionately delegated to school boards. The result is an excessively complex arrangement in which grants often serve as intergovernmental "bribes," in which authority is difficult to identify because sometimes it resides where it legally should but other times it does not, and in which professional administrators have a disproportionate advantage in manipulating the whole system in ways and to ends deemed appropriate by them.

Provincial-local relations in education are in a state of transition, and a good deal of uncertainty and confusion are not unexpected outcomes of such change. The present fiscal relationship between the province and its school boards rests on the assumption that educational policy is determined primarily at the school board level and that the purpose of provincial grants (even the word "grant" implies an unrealistic degree of freedom on the part of the government which "gives" and that which "accepts") is essentially to equalize the fiscal capacities of different boards, and to stimulate boards to adopt speci-

fic programmes which are high on the province's list of priorities. But as the province has moved into the position of senior partner in terms of money raised and spent, these assumptions have become more and more artificial. The principle of the fusion of fiscal authority suggested above does not demand that the province assume full control of educational policy; it does require that the degree of policy control be roughly comparable to the degree of fiscal involvement. In no other way can any level of government hope to determine the spending of that money for which it has assumed the responsibility to tax.

We are suggesting here quite strongly that taxing and spending should be fused; that a government which taxes should have the authority to determine the objects upon which the taxed resources are to be expended. This has not determined the choice posed earlier as between provincial and intergovernmental taxation and policy formulation. It has, however, indicated that however we resolve that choice we will be led to recommend major changes in the way education is financed. It is to the provincial-intergovernmental choice that we now turn.

IV A NEW STRUCTURE FOR EDUCATION

A new structure for the governance and financing of education is required for at least two reasons. First, it is time that organization and finance were brought into line with the reality of provincial seniority in the determination of educational policy and the reaising of public funds for education. The need for consistency between structure and authority does not arise from a desire to satisfy an academic preference for tidiness. Quite the contrary, the need for consistency is derived from the need to render the political system sufficiently intelligible to the ordinary citizen that he may reasonably expect decisions to be made where the political structure indicates they will be made. This is surely one of the elementary conditions of an informed and active electorate and therefore of a healthy democracy. The locus of authority in both policy and finance has shifted from the school board to the province; it is quite simply now time that the institutional structure reflected this reality.

The second reason for advocating a new structure relates directly to the challenges posed by declining enrolment. Accepting that this is not a problem only for the short term, but that for the foreseeable future Ontario's

educational system will experience problems of adjustment within the context of generally declining enrolment, the central question becomes: How can education be organized so that the costs of adjustment to children, teachers, parents, taxpayers, and communities are minimized? At the moment we are concerned with only one dimension of that question, pertaining to the choice between provincial and intergovernmental governance and finance. To what extent, then, does the criterion of minimizing the costs of adjustment assist in making that choice? The answer is not immediately obvious.

On the one hand, there are three rather compelling arguments for placing the responsibility for adjusting the educational system in the hands of the province. First, the much larger and more diversified fiscal base of the provincial government will permit a smoother fiscal adjustment than will be possible if the ability to adjust is tied, to any extent, to the yield of a decentralized property tax. Second, the dislocation of teachers would be minimized in a province-wide system experiencing a modest decline in enrolment as compared to multiple school districts whose projected enrolment patterns vary widely from the provincial average. Provincial governance would maximize the potential for teachers to transfer within the province-wide system and avoid the unproductive process of firing and hiring between distinct school boards. Third, given the overall context of limited resources, provincial control offers the citizen and taxpayer the simplest and most direct structure for ensuring that policy choices and resource allocations are reasonably attuned to public preferences. In the end, this is perhaps the strongest argument of all. Intergovernmental structures tend not only to block clear-cut policy choices (both because of the bargaining inherent in intergovernmental policy formulation and because one level can always modify or distort the intentions of the other) but also to maximize the influence of the professional public servant (whose professional career is devoted, in large part, to understanding and manipulating the intergovernmental machinery) at the expense of the citizen.

On the other hand, intergovernmental structures retain at least something of the strength of local government in responding to the differing needs and aspirations of citizens in their smaller communities. It is only through some form of decentralized government that educational policy and finance can offer to communities within the province the right to tax themselves at higher rates in order to provide themselves with what they consider a superior educational

programme. Since we have already excluded the possibility of wholly local or regional governance, we can at best hope to capture the strength of decentralization through the participation of two levels of government.

The moment we identify the apparent strength of an intergovernmental structure, however, we are led to an appreciation of its fundamental flaw. If in the present context an intergovernmental structure is essentially a means for obtaining the community sensitivity that attaches to decentralized government, it follows that the decentralized units of government within this intergovernmental structure must be identified with real communities. Otherwise the whole exercise is artificial and unnecessarily complex.

It should perhaps be emphasized that we are here referring to decentralized government, not administration. The former provides for choices at the local level by the communities themselves; the latter for the adjustment of provincial programmes to varying local conditions.

Precisely what constitutes a community and how its boundaries are determined is a question which defies a simple answer. But even if we cannot here define with precision the local communities of Ontario, we can state with certainty that they are not those captured by present school districts. Moreover, it is quite clear that these districts were never intended to represent distinctive communities. It would take another, and empirical, study to shed any real analytical light on the size and location of meaningful communities in relation to the desire to make differing educational choices, but they would certainly be much smaller units than anything presently incorporated in Ontario's intergovernmental system. Indeed, the logical place to start in seeking to identify communities in this sense, would be with neighbourhoods (often very obvious, if small, geographical units, especially within cities) and schools as institutions (bringing together as they could students, teachers, and parents) in relation to the most concrete level of educational planning and programming.

In many ways the present intergovernmental structure offers Ontarians the worst of both worlds. They do not obtain the advantages of centralization because provincial policy and funding must continually sustain the myth that key decisions are made by school boards. They are denied the benefits of local

government because they are forced to act through regional school systems which are isolated from other local and regional political units and which are in any case such large amalgamations of schools that few educational matters of concern to local communities could survive such aggregation.

If the present structure is inadequate, what are the options within the framework of the centralization-intergovernmental dichotomy posed earlier? Realistically, the alternatives seem to boil down to three in number.

The first option would be complete political centralization, implying the elimination of school boards and of municipal taxation for education, and the institution of a single province-wide system of education operated directly through the provincial department of education. Such a scheme would be simple, equitable, capable of adjusting to changing enrolment patterns, and probably as sensitive to local and parental preferences as the present structure. It is very likely, for example, that a politically centralized system would be operated through administratively decentralized regional or district offices, and that the professional discretion of teachers and administrators would be at least as great as under the present regime. Teachers would be offered the greatest possible protection in a situation where redundancy would as likely lead to transfer as firing. Parental participation would not likely be seriously retarded since it is primarily exercised in relation to professional personnel in any case.

In short, it is not likely that centralization would in itself result in very much change at the level of the school or classroom, given the extent to which this level is already securely controlled by professional educators and administrators. The real changes would occur at the broader level of educational policy and finance, and here centralization would clearly imply a simplification and strengthening of direct political control by the provincial government.

The second option would be the maintenance of an intergovernmental structure but the dissolution of the existing large school districts and their replacement by one or both of the following: existing political entities (that is municipalities) which would concentrate sub-provincial political activity at one level, or units which are judged acceptable by their inhabitants as representing neighbourhoods or communities within which marginal educational issues can be addressed and resolved.

The definition of appropriate units of government is fundamentally a political issue and not particularly amenable to analytical prescription. In any case, we are not so concerned here with the specific boundaries of individual local units as with the principle that in order to add anything to the political system, units of local government must be able to do things which cannot be done better at the provincial level. The one outstanding thing properly organized local governments can do -- which a provincial government cannot -- is to provide local communities with the opportunity to make local political choices. Assuming the province to be the senior partner, it is essentially at the margins of provincial policy that local policy operates (adding local increments to provincial policy, experimenting in areas not covered by provincial policy, opting in or out of optional provincial policy, etc.). This, of course, does not accord with much of the traditional literature on local government, which often appeals to a romantic notion of town-hall government. It is, however, a notion which accords more certainly with present-day reality.

The third option would be to dispense with local governments as components in the political structure of education, and to substitute educational boards or councils with specific powers delegated by the province. These institutions would differ in two fundamental respects from either existing school boards or municipal governments. First, they would not have the power to tax or requisition funds. Secondarly, they would be identified with the operation of specific schools. There might be a council for each school, for several schools of a particular character (for example those designated as Catholic or French), or for the school or schools within a particular neighbourhood or community. The councils would not limit the province's responsibility for educational policy and finance. Rather, they would operate wholly within that responsibility, exercising a management or decision-making authority delegated by the provincial government.

The second option appears to be the least viable. For one thing, it would require a dramatic reversal of the trend of provincial policy respecting local government on one or both of two counts: the integration of education with other local government functions, and the breaking up of large regional units. The first of these reversals would also pose a potentially difficult problem in assuring respect for the constitutional guarantees surrounding religiously

separate schools.

The third option is really an addition to the first and therefore in no sense in conflict with it. Both would represent, in effect, the culmination of the trend toward centralization that has been evident for several decades and which has seen the progressive elimination of school sections and then township school districts. Both would place the responsibility for educational policy, for educational finance, and for adjusting to changes in enrolment levels and patterns squarely on the provincial government. Option one goes no further than that. Option three would add a new institutional element in the management of public education: the school council. Incidentally, this additional element might prove to be crucial in effecting further centralization without violating, or appearing to violate, the rights of separate school supporters. More importantly, it might provide the crucial element necessary to protect and promote diversity, sensitivity, and experimentation within a politically responsible governmental structure. We cannot determine which is the <u>right</u> course for Ontario to pursue; we can only say that from the limited perspective of this paper option three appears to be most consistent with the political history of education in the province while facilitating the most effective response to the problem of declining enrolment. Whether that is in fact so must, however, be the judgment of a responsible government.

V <u>FINANCING EDUCATION WITHIN THE NEW STRUCTURE</u>

This paper has deliberately not attempted a clause by clause analysis of the present scheme of grants to school boards. If it is judged sufficient merely to modify this scheme in order to cushion the effects of declining enrolment for individual school boards, that can be done easily and simply. The logical method of doing this would be to calculate enrolment by an averaging formula incorporating enrolments over a three to five year period. This is the principle employed in the university sector. It ensures that within a reasonable period of time a smaller enrolment results in a reduced expenditure (apart from inflation) but it recognizes that this reduction cannot be made instantly without undesirable dislocations. The existing grant plan, based as it is on the calculation of weighted enrolments, could easily accommodate this additional element.

The whole structure of educational finance, of which the grant plan is an integral part, is in need of more drastic reform, however. The present system of grants is premised on an intergovernmental relationship which no longer applies and which is even less likely to be adequate in the future. If that relationship is set aside, as suggested above, then clearly the grant plan must be discarded as well.

In actual fact, educational finance would become a great deal simpler with the elimination of school boards. Education would become a provincial responsibility, funded out of the province's general revenues like virtually all other provincial responsibilities. It is conceivable that the province might wish to establish school councils with considerable decision-making authority (along the model of college and university boards), in which case it might be appropriate to transfer some or all of the funds allocated to education in the form of grants to school councils. That would likely require of the councils a degree of managerial competence and professional support which would defeat their primary purpose as mechanisms to permit local sensitivity and flexibility. However, if there were to be grants, they would be of a very different character from present payments to school boards. For one thing, they would represent the total income of the school or council, unless this were supplemented by private donations, or by municipal or other voluntary payments or transfers. Second, there would be no need for the kind of complicated provisions which currently bedevil the average reader of a grant regulation.

This is not to say that decisions concerning the appropriate level of support for education, or the allocation of that support to various programmes would be any easier, except that any decision is easier when made once instead of scores of times by scores of bodies. Rather, the point is that once these decisions are made -- and made in the context of a competitive and responsible political process -- they will be much simpler to carry out and to communicate to those affected.

One final observation may be warranted in relation to educational finance. It is likely -- indeed almost certain -- that existing tax bases would be deemed inadequate to produce the kind of revenue required for total provincial funding of education. With access to the appropriate data, it would not be difficult to calculate reasonably precise figures and rates of taxation under alternative

arrangements. If rates of existing provincial taxes were not to be increased sufficiently, the obvious alternative is a new source of provincial taxation. Here, the real property tax room vacated by municipalities no longer responsible for levying school taxes would have an obvious and compelling appeal. For a variety of reasons which need not be explored here, the preferred means of instituting a provincial property tax would be by claiming a portion of the tax base rather than a portion of the proceeds from a shared base. The logical division would then be to allocate to municipalities all residential property assessment, leaving with the province all commercial and industrial assessment.